

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

VOLUNTARY SEPARATION INCENTIVE ANNIVERSARY PAYMENTS

Report No. 95-254

June 27, 1995

20000110 092

Department of Defense

DISTRIBUTION STATEMENT A

Approved for Public Release
Distribution Unlimited

DTIC QUALITY IMPROVED 4

AQI00-04-0901

Additional Copies

To obtain additional copies of this audit report, contact the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch, Audit Planning and Technical Support Directorate, at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

Inspector General, Department of Defense
OAIG-AUD (ATTN: APTS Audit Suggestions)
400 Army Navy Drive (Room 801)
Arlington, Virginia 22202-2884

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@DODIG.USD.MIL; or by writing the Defense Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of each writer and caller is fully protected.

Acronyms

DFAS

Defense Finance and Accounting Service

SSB

Special Separation Bonus

VSI

Voluntary Separation Incentive

June 27, 1995

**MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE**

**SUBJECT: Audit Report on Voluntary Separation Incentive Anniversary Payments
(Report No. 95-254)**

We are providing this report for management's information and use. The report discusses actions taken to process and report data needed to make anniversary payments to Service members who separate under the Voluntary Separation Incentive program. We considered management's comments on a draft of this report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Richard B. Bird, Audit Program Director, at (317) 542-3859 (DSN 699-3859), or Mr. Carmelo G. Ventimiglia, Audit Project Manager, at (317) 542-3852 (DSN 699-3852). See Appendix F for the report distribution. The audit team members are listed inside the back cover.



Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 95-254
(Project No. 4FI-2013.01)

June 27, 1995

Voluntary Separation Incentive Anniversary Payments

Executive Summary

Introduction. This report is being issued as part of our audit of the Voluntary Separation Incentive Trust Fund Financial Statements for FY 1994. It discusses actions taken to process and report data needed to make anniversary payments to Service members who separate under the Voluntary Separation Incentive program. The Voluntary Separation Incentive program was one of two programs authorized by Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," to encourage military members with more than 6 years but fewer than 20 years of service to separate from active duty. The Defense Finance and Accounting Service Cleveland, Denver, Indianapolis, and Kansas City Centers are responsible for making initial payments to Service members who separate from active duty under the Voluntary Separation Incentive program. Monthly, the Defense Finance and Accounting Service Centers report pertinent data to the Defense Finance and Accounting Service Cleveland Center for use in making subsequent anniversary payments. The Voluntary Separation Incentive Payee Master File is used by the Defense Finance and Accounting Service Cleveland Center to make anniversary payments. About 12,300 Service members received anniversary payments in FY 1994.

Audit Objective. The overall audit objective was to determine whether the Voluntary Separation Incentive Trust Fund's FY 1994 financial statements were presented fairly in accordance with generally accepted accounting principles or another prescribed basis of accounting. The overall audit results were reported in Report No. 95-158, "Voluntary Separation Incentive Trust Fund Financial Statements for FY 1994," March 29, 1995. The objective that this report covers is the adequacy of management controls for making anniversary payments under the Voluntary Separation Incentive program.

Audit Results. Defense Finance and Accounting Service Indianapolis Center personnel did not report to the Defense Finance and Accounting Service Cleveland Center all the corrections made to the pay and separation data initially sent on members who separated from active duty in 1992. The separation program designator codes for the Voluntary Separation Incentive and Special Separation Bonus programs were established in March 1992, about 2 months after the Army initially used those voluntary separation programs. Even after the separation program designator codes were established, personnel at the field separation activities sometimes did not use the correct separation codes for members separating from those programs. Defense Finance and Accounting Service Indianapolis Center personnel corrected the separation program designator codes in the Army master pay file but failed to report all changes to the Defense Finance and Accounting Service Cleveland Center so that the Voluntary Separation Incentive Payee Master File could be updated. Consequently, the Defense Finance and Accounting Service Cleveland Center erroneously made about \$238,000 in

Voluntary Separation Incentive anniversary payments to 17 personnel of the 237 reviewed who separated from Army active duty in 1992. Additional erroneous anniversary payments may have been made to personnel among the other 249 members for whom differences existed between the Army master pay file and the Voluntary Separation Incentive Payee Master File.

As part of DoD efforts to combat fraud and inefficiency, the Department has established a special program called "Operation Mongoose" that relies on computer matching to detect inaccuracies in Department records. Through similar computer matching techniques, we identified a management control weakness related to the accuracy of the Voluntary Separation Incentive data sent to the Defense Finance and Accounting Service Cleveland Center. The Defense Finance and Accounting Service reported the same management control weakness in its FY 1994 Annual Statement of Assurance. We will incorporate the lessons learned through this audit into Operation Mongoose. See the finding in Part I for a discussion of the management control weakness and Appendix A for audit results of the management control program. Appendix D summarizes the potential benefits of the audit.

Summary of Recommendations. We recommend that the Defense Finance and Accounting Service Indianapolis Center perform a detailed review of pay and personnel data related to the 249 Army members for whom we identified differences between the Army master pay file and the Defense Finance and Accounting Service Cleveland Center's Voluntary Separation Incentive Payee Master File, and make appropriate corrections based on the results of the review. We also recommend that the Defense Finance and Accounting Service Cleveland Center initiate collection actions on all erroneous Voluntary Separation Incentive anniversary payments.

Management Comments. The Deputy Director for Finance, Defense Finance and Accounting Service, concurred with the recommendations. The Defense Finance and Accounting Service Indianapolis Center will perform a detailed review of pay and personnel data related to the 249 Army members for whom we identified differences between the Army master pay file and the Voluntary Separation Incentive Payee Master File. Based on the results of the review, the Defense Finance and Accounting Service Indianapolis Center will take appropriate actions to correct the Army master pay file and the Voluntary Separation Incentive Payee Master File. The Defense Finance and Accounting Service Cleveland Center will initiate collection actions on all erroneous Voluntary Separation Incentive anniversary payments identified by the Defense Finance and Accounting Service Indianapolis Center.

Audit Response. Management comments to the draft report were responsive. We request that the results of the review be provided to us and the project manager for Operation Mongoose. Summaries of management comments and audit responses are in Part I of the report, and the full text of management comments is in Part III.

Table of Contents

Executive Summary	i
Part I - Audit Results	
Audit Background	2
Audit Objective	2
Voluntary Separation Incentive Anniversary Payments	3
Part II - Additional Information	
Appendix A. Scope and Methodology	8
Scope	8
Methodology	8
Management Control Program	8
Appendix B. Summary of Prior Audits and Other Reviews	10
Appendix C. Other Matters of Interest	11
Appendix D. Summary of Potential Benefits Resulting From Audit	12
Appendix E. Organizations Visited or Contacted	13
Appendix F. Report Distribution	15
Part III - Management Comments	
Defense Finance and Accounting Service Comments	18

Part I - Audit Results

Audit Results

Audit Background

The Voluntary Separation Incentive (VSI) program was one of two programs authorized by Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," to encourage military members with more than 6 years but fewer than 20 years of service to separate from active duty. The Services (the Army, the Navy, the Air Force, and the Marines) began to separate members under the VSI program in January 1992. Members who separate under the VSI program are to receive annual payments for a period of time equal to twice the number of years of creditable service they have at the time of separation. The Defense Finance and Accounting Service (DFAS) Centers responsible for paying active duty military members, including the initial VSI payment, are to send information to the DFAS Cleveland Center on each member who separates under the VSI program. The VSI Trust Fund (the Fund) was established on January 1, 1993, to accumulate funds to finance, on an actuarially sound basis, liabilities of the DoD under the VSI program. Through September 30, 1994, approximately 14,100 members separated from the Services under the VSI program.

The overall audit was required by the Chief Financial Officers Act of 1990.

Audit Objective

The overall audit objective was to determine whether the Fund's FY 1994 financial statements were presented fairly in accordance with generally accepted accounting principles or the other comprehensive basis of accounting described in Office of Management and Budget Bulletin No. 94-01. As part of the audit, we evaluated the adequacy of the management controls for making anniversary payments under the VSI program. Appendix A identifies our scope and methodology in performing this audit and the results of our evaluation of the implementation of the DoD management control program as it related to anniversary payments.

Voluntary Separation Incentive Anniversary Payments

DFAS Indianapolis Center personnel corrected the separation program designator codes (separation codes) initially entered incorrectly in the Army master pay file by personnel at field separation activities. However, DFAS Indianapolis Center personnel failed to report all changes to the DFAS Cleveland Center so that the VSI Payee Master File could be updated. The condition occurred because the DFAS Indianapolis Center had not established effective procedures to identify and reconcile differences between the Army master pay file and the VSI Payee Master File. Consequently, the DFAS Cleveland Center erroneously made about \$238,000 in VSI anniversary payments to 17 personnel who separated from Army active duty in 1992 out of 237 reviewed. Anniversary payments may have been made erroneously to personnel among the other 249 members for whom differences existed between the Army master pay file and the VSI Payee Master File.

Background

Separation Codes. Separation codes are used by personnel at the field separation activities to identify the specific programs under which Service members separate from active duty. The separation code is entered into the Army military pay system and serves as the basis for identifying the records in the master pay file of those members who separated under the VSI program.

DFAS Cleveland Center's VSI Payee Master File. Each DFAS Center maintains active duty data in a master pay file for the Service members for which it has finance and accounting responsibilities. The DFAS Indianapolis Center maintains and updates the Army master pay file. Monthly, the DFAS Indianapolis Center transfers pay and separation data to the DFAS Cleveland Center's VSI Payee Master File on Army members who separate under the VSI program. The DFAS Cleveland Center uses the data in the VSI Payee Master File to make subsequent anniversary payments.

Reviews of VSI Anniversary Data

Reporting Corrections to Data Initially Sent. DFAS Indianapolis Center personnel did not report to the DFAS Cleveland Center all the corrections made to the pay and separation data initially sent on members who separated from active duty in 1992. The separation codes for the VSI and Special Separation Bonus (SSB) programs were established in March 1992, about two months after the Army initially used those voluntary separation programs.

Voluntary Separation Incentive Anniversary Payments

Even after the separation codes were established, personnel at the field separation activities sometimes did not use the correct separation codes for members separating from those programs. In 1993, DFAS Indianapolis Center personnel recognized the problem and took actions to correct the data in the Army master pay file and to update the VSI Payee Master File. In 1994, DFAS Indianapolis Center personnel initiated actions to compare the information in the Army master pay file with the information in the VSI Payee Master File. DFAS Indianapolis Center personnel stated that the comparison had been completed but could not provide us with the results because the data had not been retained. Based on our review, we concluded that DFAS Indianapolis Center personnel did not report the corrected data for all affected members to the DFAS Cleveland Center. We identified at least \$238,000 in VSI anniversary payments that were erroneously made.

Independent Matching of Files. We obtained the DFAS Cleveland Center's VSI Payee Master File as of September 30, 1993, and compared selected data in the file with the data in the Army master pay file.

We compared selected data from each file and followed up on 236 of the 485 differences. Table 1 shows the scope of our audit.

Table 1. Scope of Our Review of Differences in Files

<u>Scope of Review</u>	<u>Noted Differences</u>		
	<u>Social Security Number</u>	<u>Months of Service</u>	<u>Total</u>
Records reviewed	168	68	236
Records not reviewed	<u>44</u>	<u>205</u>	<u>249</u>
Total	212	273	485

Our review focused on the 212 social security numbers that appeared on one, but not both, of the files and the differences in the number of months of service shown in the files for 273 separated members. Between September and November 1994, DFAS Indianapolis Center personnel provided us with data on 236 of the 485 mismatches. We reviewed the data related to the 236 mismatches and identified 17 separated members who were receiving VSI anniversary payments but not entitled to them. Table 2 shows the results of our review.

Voluntary Separation Incentive Anniversary Payments

Table 2. Results of Our Review of Mismatched File Data

<u>Status of Entitlement</u>	<u>Mismatched File Data</u>		
	<u>Social Security Number</u>	<u>Months of Service</u>	<u>Total</u>
Entitled to VSI payments	166	53	219
Not entitled to VSI payments	2	15	17
Total	168	68	236

Our analysis of available records for the 17 members who were not entitled to VSI payments indicated that the 15 members with differences in the months of service had separated under the SSB program. The two members on the VSI Payee Master File but not on the Army master pay file did not separate from active duty under either the VSI or SSB programs. Each of the 17 members separated from the Army in 1992.

Magnitude of the Problem. The DFAS Cleveland Center made \$238,000 in VSI anniversary payments to the 17 Army members who did not separate under the VSI program. We provided information on 12 of the 17 members to DFAS Cleveland Center personnel on September 14, 1994. We provided information on the other 5 members to DFAS Cleveland personnel on March 30, 1995. The DFAS Cleveland Center personnel took prompt actions to correct the data in the VSI Payee Master File and initiated debt collection actions on 12 members. Future payments to the other five members were suspended pending a further review of the records. We provided a complete analysis of our results, including pertinent data on the 249 mismatched records we did not review, to DFAS Indianapolis Center personnel on January 3, 1995. As of February 28, 1995, DFAS Indianapolis Center personnel had not taken the actions necessary to research and resolve the 249 mismatched records.

As part of the DoD effort to combat fraud and inefficiency, the Department has established a special program called "Operation Mongoose" that relies on computer matching to detect inaccuracies in Department records. The Under Secretary of Defense (Comptroller) has overall responsibility for implementation and management of the Department initiative. We identified the erroneous VSI anniversary payments discussed in this report through similar computer matching techniques. None of the identified errors appeared to involve fraud, but the management control weakness needs to be corrected to reduce the potential for overpayment and fraud. Also, DFAS Indianapolis Center personnel should obtain and review data related to the 249 remaining unresearched files to determine the propriety of the VSI anniversary payments made to them. Particular attention should be given to the 246 members who separated from the Army in 1992.

Voluntary Separation Incentive Anniversary Payments

Recommendations, Management Comments, and Audit Response

We recommend that the Director, Defense Finance and Accounting Service:

1. Require the Defense Finance and Accounting Service Indianapolis Center to perform a detailed review of pay and personnel data related to the 249 Army members for whom we identified differences between the Army master pay file and the Voluntary Separation Incentive Payee Master File. Based on the results of the review, take appropriate actions to correct the Army master pay file and the Voluntary Separation Incentive Payee Master File.

Management Comments. The Deputy Director for Finance, DFAS, concurred with the recommendation. The DFAS Indianapolis Center will perform a detailed review of pay and personnel data related to the 249 Army members for whom we identified differences between the Army master pay file and the VSI Payee Master File. Based on the results of the review, appropriate actions will be taken to correct the Army master pay file and the VSI Payee Master File.

Audit Response. Comments from the Deputy Director for Finance are responsive to the recommendation. We request that the results of the review be provided to us and the project manager for Operation Mongoose.

2. Require the Defense Finance and Accounting Service Cleveland Center to initiate collection actions on all erroneous Voluntary Separation Incentive anniversary payments identified by the Defense Finance and Accounting Service Indianapolis Center.

Management Comments. The Deputy Director for Finance, DFAS, concurred with the recommendation stating that the DFAS Cleveland Center will initiate collection actions on all erroneous VSI anniversary payments identified by the DFAS Indianapolis Center.

Audit Response. Comments from the Deputy Director for Finance are responsive to the recommendation. We request that the number and dollar value of collection actions that DFAS initiates be reported to us and the project manager for Operation Mongoose.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope and Methodology

We obtained the DFAS Cleveland Center's VSI Payee Master File as of September 30, 1993, and compared selected data in the file with the data in the Army master pay file. We compared selected data from each file and followed up on 236 of the 485 differences.

Use of Computer-Processed Data. We relied on computer-processed data in the DFAS Cleveland's VSI Payee Master File and the DFAS Indianapolis Center's Army master pay file to conduct this audit. We limited our review of the computer-processed data to comparing similar data elements in the two files we reviewed and verifying selected data in the files with the data in active duty personnel records. To the extent that we reviewed that data, we concluded that they were sufficiently reliable to be used in meeting our audit objective.

Audit Period, Standards, and Locations. This financial related audit was performed from June 1994 through February 1995. The audit was made in accordance with auditing standards issued by the Comptroller of the United States as implemented by the Inspector General, DoD, and accordingly included tests of management controls considered necessary. Appendix E lists the organizations we visited or contacted.

Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of Management Control Program. We determined whether the DFAS Cleveland and Indianapolis Centers complied with DoD Directive 5010.38. Specifically, we evaluated management controls for making anniversary payments. Also, we determined the extent to which the DFAS Indianapolis Center evaluated its management controls over making anniversary payments and the results of any self-evaluations.

Adequacy of Management Controls. We identified a management control weakness related to the accuracy of the data in the file used to make anniversary payments under the VSI program. As a result of our Audit of the Voluntary Separation Incentive Trust Fund Financial Statements for FY 1993 (Report No. 94-166), DFAS reported in its FY 1994 Annual Statement of Assurance the same management control weakness. However, the corrective actions DFAS implemented did not correct the management control weakness because the

~~SECRET//NOFORN~~

Appendix A. Scope and Methodology

corrective actions focused on only one aspect of the problem and did not focus on the specific weakness we identified. Our recommendation 1., if implemented, will correct the weakness.

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD, Report No. 95-158, "Audit Opinion on the Voluntary Separation Incentive Trust Fund Financial Statements for FY 1994," March 29, 1995, states that the FY 1994 financial statements presented fairly, in all material respects, the financial position of the Fund as of September 30, 1994, and September 30, 1993, and the results of operations, cash flows, and budget and actual expenses for the years then ended, in accordance with DoD accounting policies and procedures and generally accepted accounting principles applicable to DoD financial statements. The material internal control weaknesses we identified in the FY 1993 financial statement audit were included in the FY 1994 Annual Statement of Assurance of DFAS. Fund operations generally complied with applicable laws and regulations.

Inspector General, DoD, Report No. 94-166, "Voluntary Separation Incentive Trust Fund Financial Statements for FY 1993," June 30, 1994, states that the Fund's financial statements for FY 1993 did not present fairly the financial position, the results of operations, cash flows, or budget and actual expenses of the Fund. Our review of internal controls for the Fund identified material internal control weaknesses. Weaknesses existed in the internal controls for ensuring the accuracy of VSI payments and the completeness of accounting data. Also, procedures had not been developed to collect the data needed to report debts owed by personnel to whom inappropriate VSI payments were made. The internal control weaknesses we identified were not included in DFAS's FY 1993 Annual Statement of Assurance. Report No. 94-166 did not include recommendations.

Appendix C. Other Matters of Interest

Related Audit Work. In Inspector General, DoD, Report No. 95-158, "Audit Opinion on the Voluntary Separation Incentive Trust Fund Financial Statements for FY 1994," March 29, 1995, we evaluated the internal control structure established for the Fund and followed up on the conditions noted in our audit of the Fund's FY 1993 financial statements. We reported that the material internal control weaknesses we identified in the FY 1993 financial statement audit were included in the FY 1994 Annual Statement of Assurance of DFAS. Overall, the Under Secretary of Defense for Personnel and Readiness and the Director, DFAS, had implemented reasonable corrective actions. The one problem we identified, while not material under standards established by Office of Management and Budget Bulletin No. 93-06, "Audit Requirements for Federal Financial Statements," January 8, 1993, is discussed in this report.

Area of Special Interest. On June 30, 1994, the Deputy Secretary of Defense approved the establishment of a joint operation called "Operation Mongoose." The Under Secretary of Defense (Comptroller) has overall responsibility for implementation and management of the Department initiative. The joint operation is aimed at deterring and detecting irregular or illegal acts and searching for indicators of fraud sufficient to warrant investigation. Plans are to use available automated data in DoD and other agency files to efficiently compare and contrast data. We identified the erroneous VSI anniversary payments discussed in this report through similar computer matching techniques. We matched information in the DFAS Cleveland Center's VSI Payee Master File with the data in the Army master pay file maintained by the DFAS Indianapolis Center. Because the problems in this report were detected through computer matching techniques, our audit results would be of interest to the principals of the joint operation and will be included in the results of the joint operation.

Appendix D. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
1.	Management controls. Updating the VSI Payee Master File after completing a review of pay and personnel data related to the 249 separated Army members will ensure that VSI anniversary payments are made to only those who are entitled.	Nonmonetary.
2.	Compliance with laws and regulations. Collecting erroneous VSI anniversary payments will allow the funds to be used for authorized payments.	Funds put to better use. Monetary benefits cannot be quantified.*

*Appropriation: 97X8335-Voluntary Separation Incentive Trust Fund. We identified that the DFAS Cleveland Center paid 17 Army personnel about \$238,000 in VSI anniversary payments to which they were not entitled. Monetary benefits cannot be quantified until the review is completed on the other 249 separated Army members. Benefits should include the value of the VSI anniversary payments that would have been paid through FY 2000 to members who were not entitled to them.

Appendix E. Organizations Visited or Contacted

Office of the Secretary of Defense

Office of the Under Secretary of Defense (Comptroller), Washington, DC
Office of the Under Secretary of Defense for Personnel and Readiness,
Washington, DC
Office of the Deputy Under Secretary of Defense (Requirements and Resources),
Washington, DC
Defense Manpower Data Center, Monterey, CA
Department of Defense, Office of the Actuary, Arlington, VA
Office of the Assistant Secretary of Defense (Force Management Policy),
Washington, DC
Office of the Deputy Assistant Secretary of Defense (Military Personnel Policy),
Washington, DC

Department of the Army

Office of the Deputy Chief of Staff of the Army for Personnel, Washington, DC
Army Reserve Personnel Center, St. Louis, MO

Department of the Navy

Bureau of Naval Personnel, Arlington, VA
Naval Reserve Personnel Center, New Orleans, LA

Department of the Air Force

Office of the Deputy Chief of Staff of the Air Force for Personnel, Washington, DC
Air Force Military Personnel Center, San Antonio, TX
Air Force Reserve Personnel Center, Denver, CO

Marine Corps

U.S. Marine Corps, Washington, DC
Marine Corps Reserve Support Center, Overland Park, KS

Appendix E. Organizations Visited or Contacted

Other Defense Organizations

Defense Finance and Accounting Service, Arlington, VA
Defense Finance and Accounting Service Cleveland Center, Cleveland, OH
Defense Finance and Accounting Service Denver Center, Denver, CO
Defense Finance and Accounting Service Indianapolis Center, Indianapolis, IN
Defense Finance and Accounting Service Kansas City Center, Kansas City, MO

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Under Secretary of Defense for Personnel and Readiness
Assistant Secretary of Defense (Reserve Affairs)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army
Deputy Chief of Staff of the Army for Personnel
Chief, Army Reserve

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy
Chief of Naval Personnel
Director of Naval Reserve
Deputy Chief of Staff for Manpower and Reserve Affairs (Marine Corps)

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Chief of Air Force Reserve
Deputy Chief of Staff of the Air Force for Personnel

Defense Organizations

Director, Defense Finance and Accounting Service
Director, Defense Finance and Accounting Service Cleveland Center
Director, Defense Finance and Accounting Service Denver Center
Director, Defense Finance and Accounting Service Indianapolis Center
Director, Defense Finance and Accounting Service Kansas City Center

Non-Defense Federal Organizations

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Subcommittee on Personnel, Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security
House Subcommittee on Military Personnel, Committee on National Security

Part III - Management Comments

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUL 15 1995

DFAS-HQ/F

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE,
OFFICE OF THE INSPECTOR GENERAL,
DEPARTMENT OF DEFENSE

SUBJECT: Audit Report on Voluntary Separation Incentive (VSI)
Anniversary Payments (Project No. 4FI-2013.01)

The following comments are provided concerning subject audit:

Recommendation 1. Require the Defense Finance and Accounting Service - Indianapolis Center (DFAS-IN) to perform a detailed review of pay and personnel data related to the 249 Army members for whom we identified differences between the Army master pay file and the Voluntary Separation Incentive (VSI) Payee Master File. Based on the results of the review, take appropriate actions to correct the Army master pay file and the VSI Payee Master File.

Management comments. Concur. DFAS-IN will compare the subject files with the VSI data base. All differences between the two files will be reconciled. We expect these actions to be completed by September 1, 1995.

Recommendation 2. Require DFAS-CL to initiate collection actions on all erroneous VSI anniversary payments identified by DFAS-IN.

Management comments. Concur. Once any VSI account is identified as being overpaid, DFAS-CL will immediately initiate collection action.

If you have any questions, please contact my project officer, Lt Col Rob Watson at DSN 332-5275 or Commercial (703) 602-5275.

for Ollie Sanders
Roger W. Scearce
Brigadier General, USA
Deputy Director for Finance

Audit Team Members

This report was prepared by the Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

Russell A. Rau
F. Jay Lane
Richard B. Bird
Carmelo G. Ventimiglia
Thomas C. Schmidt, Sr.
John E. Aber
Theodore O. Baer
Monica L. Noell
Helen S. Schmidt

INTERNET DOCUMENT INFORMATION FORM

A . Report Title: Voluntary Separation Incentive Anniversary Payments

B. DATE Report Downloaded From the Internet: 01/09/99

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #):
OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __VM__ Preparation Date 01/09/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.